

Newark

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MEMORANDUM

To: PAMELA GOLDSTEIN, COMMUNICATIONS MANAGER
From: ROSEMARY A. HOCKING, DIRECTOR, DEPARTMENT OF DEVELOPMENT
Date: October 21, 1996
Subject: ISSUES ON AFFORDABLE HOUSING

As per your office's request, attached please find Issues on Affordable Housing for Mayor James' attendance at the Governor's Housing Conference on Wednesday, October 23, 1996.

Please do not hesitate to contact me should you require any further information.

Rosemary A. Hocking / D.F.

Rosemary A. Hocking
Director

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Issues on Affordable Housing Construction and Delivery in Newark

- Average amount of HOME funds annually allocated to the City of Newark by the US Department of Housing and Urban Development over the past three years is \$3 million. If the typical subsidy request averages more than \$30,000 per dwelling unit (regardless of whether the project involves sales or rental, rehab or new construction), the City of Newark can only produce 100 units of affordable housing per year. Last year's Consolidated Plan application process for the use of HOME funds generated 23 applications for \$18 million in funds. Demand for subsidy funds exceeds supply by 6 to 1.
- Another funding vehicle for producing affordable housing has been the use of Low Income Housing Tax Credits (LIHTC). The LIHTC is allocated by the New Jersey Housing and Mortgage Finance Agency. Two years ago the allocation plan for the Tax Credits singled out 4 municipalities (Trenton, Asbury Park, Camden and Elizabeth) as "Targeted Cities", applications from which would automatically benefit 10 - 20 points simply because of their location. Since Newark is not one of these "Targeted Cities" (even though the largest municipality in the state), it cannot compete with these other municipalities for the limited Tax Credit dollars, all other points being equal. Newark needs to become a "Targeted City"
- Costs of producing affordable housing are increased by requirement that Davis-Bacon Wage rates and Prevailing Wage rates are required for most affordable housing development projects assisted by state and federal funds. Most developers and contractors report project construction costs are increased a minimum 20% by the need to comply with these wage rates.
- Compliance with environmental standards (removal of underground storage tanks, asbestos, lead based paint, demolition debris and soils contaminated by the historic industrial uses of various properties through the city) continue to tax the production of affordable housing. eg. a 24 unit new construction rental project scheduled to be developed by the United Cerebral Palsy of North Jersey was delayed for 2 years until funds could be found for the treatment and removal of previously undetected leaking underground storage tanks on a former residential site sold by the City of Newark to the non-profit sponsor. The added cost to the project for environmental clean up alone is estimated to be \$160,000.
- The state and federal governments need to adjust the target income market for affordable housing to reach the 80 - 100% median income group. This is the group of "most likely to succeed" candidates for the purchase of affordable housing. Current legislation restrict eligible incomes to below 80% of median ie., in Newark, the maximum combined family income for a family of four cannot exceed \$41,600 per annum. We are suggesting that the target income be raised to \$60,500, the median income limit for the Newark PMSA. To a major extent, the Governor's Urban Home Ownership Recovery Program which allows for the combination of market rate low and moderate income housing, addresses this issue and the City of Newark has been successful in securing funding for three new construction home

ownership projects under this program (the recently completed SMYRNA Baptist Church's CURE Project on Bergen Street, the proposed joint venture Metropolitan United Ministries 59 unit Hilltop Gardens, a for-sale development project within the Victory Gardens Redevelopment Area of Bergen Street and the proposed Orange/Hacker Street First Time Homebuyers Project along Orange Street consisting of 13 two family homes with 13 low income rentals).